

UNIT 5:

Small business: 'one which is independently owned and operated for profit and is not dominant in its field.'

INDUSTRIES THAT ATTRACT SMALL BUSINESSES:

Distribution (retailing, wholesaling, transportation and communications)

Service

Production (construction, mining and manufacturing)

Attractive small-business industry characteristics:

- How initial capital investment
- Some special skill requirements
- High growth and profit potential

THE PEOPLE IN SMALL BUSINESSES: ENTREPRENEURS:

Characteristics and other personal factors:

1. The 'entrepreneurial spirit':
The desire to create a new business
2. The desire for independence
3. The desire to determine one's own destiny
4. The willingness to find and accept a challenge
5. Personal background
Researchers think that people whose families have been in business, are most apt to start and run their own business
6. Age
More than 70% of entrepreneurs are between 24-44 of age

Motivation:

Tired of working for someone else, high-tech opportunities, losing a job and deciding to start a business, an idea for a new product, an opportunity.

Why some entrepreneurs and small businesses fail:

1. Lack of capital and cash-flow problems
2. Lack of management skills
3. Overexpansion

THE PROS AND CONS OF SMALLNESS:

ADVANTAGES:

- Personal relationships with customers and employees
- Ability to adapt to change
- Simplified recordkeeping
- Independence
- Sole proprietorship: keeps all the profits, ease and low cost of going into business, keeping business info a secret

DISADVANTAGES:

- Risk of failure
- Limited potential
- Limited ability to raise capital